

Chapter 11

Financial Inclusion through Cooperative Banking Strategy in South Africa

By Stephen Mago, Amanda van den Berg, Shadreck Matindike, Gabriel Musasa, Mufaro Dzingirai

Abstract

Insufficient financial market participation resulting from structural inadequacies of the official banking systems, including a lack of infrastructure, prohibitively transactions costs, and conventional collateral requirements, constitutes main barriers confronting many households and the government's efforts to achieve sustainable development in South Africa. This chapter examines the efficacy of cooperative banking in literature through systematic literature review and thematic analysis. Findings show that social capital as is competitive edge of cooperative banking over the conventional banking system making it more inclined to inclusion. Consequently, it serves the needs of member-owners as wells as addresses the social and economic objectives of the community. However, financial cooperatives have several significant obstacles in the areas of management ability, trust, and financial network. The general lack of knowledge and trust makes it difficult for them to draw in deposits, increase lending volume, and produce the funding required for expansion. The study argues that for the cooperative banking strategy to work well, there is a need for a policy which is comprehensive and multifaceted. The policy should cover areas of vital importance noted in this chapter, namely value addition, effective funding options, and digitalization. For successful execution of a cooperative banking strategy, it will be crucial to carry out all the elements linked to these components. It was evident that those who are members and those who do not anticipate financial cooperatives being able to provide high-quality services and products that create wealth.